

# Virginia Housing Trust Fund

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# Overview

- Affordable housing developers have consistently recognized the need for a reliable source of gap financing.
- While never intended to be the sole source of financing, a Housing Trust Fund provides an opportunity to incentivize affordable housing developments that address state and community priority housing needs.
- Given the diversity of state geographies and populations, a flexible Housing Trust Fund can provide assistance tailored to unique community needs

# Virginia Housing Partnership Fund

- Initial appropriations of \$20 million in 1989-90, the Fund was designed to become self-sustaining. The Fund recycled proceeds from the repayment of principal and interest from loans to provide funding for new projects.
- Original plan was funding Partnership Fund for twenty years which, at 3% annual average interest, would have generated \$20 million annually upon maturity.
- While only \$64 million was allocated over first five years, Fund revolved as planned.
- By 2003, due to Virginia's financial state there was a decision to sell the loan portfolio and other assets of the VHPF and inject the cash proceeds (over \$40 million) into the general fund to balance the FY 2003 budget.
- This left no long-term source of funding for the program; however, the statutory framework and accounting structure remained in place and available.

# Legislative Efforts

- Delegate Suit's 2006 HB92 sought to direct "50 percent of annual revenue collections from taxes and fees imposed pursuant to the Virginia Recordation Tax Act in excess of the official estimates in the general appropriation act" to an affordable housing trust fund.
- Senator Whipple's 2007's SB966 proposed a funding model identical to the funding mechanism for Virginia's Water Quality Improvement Fund. This mechanism transfers revenues from two sources to a Housing Trust Fund:
  - Ten percent of any unreserved general fund balance at the close of each fiscal year which the general appropriation act does not require be reappropriated; and
  - Ten percent of the annual general fund revenue collections in excess of the official estimates in the general appropriation act, unless otherwise provided in the general appropriation act.

# Legislative Efforts

- Sen. Whipple introduced SB277 in 2007, which would have transferred \$0.02 of recordation tax revenues to the Housing Trust Fund.
- Similar versions of this proposal also met legislative defeat in 2007 as SB967 (Whipple), 2008 as SB661 (Whipple), and 2009 as HB1082 (Suit).
- These bills would have earmarked a portion of recordation tax revenues for the Virginia Housing Trust Fund, but required that the revenues from the recordation tax exceed \$200 million in the prior fiscal year before requiring a transfer or deposit to the Virginia Housing Trust Fund

# Housing Policy Action

- Executive Order No. 10 (2010) committed the Executive Branch to establishing a housing policy framework for the Commonwealth.
- Recommendation to commit \$40 million in general funds (\$20 million per FY) to start up the trust fund.

# Housing Trust Fund

- Budget Item 108 G directed \$7 million in FY 2014 to the Virginia Housing Trust Fund. Additional \$1 million added during following session.
- This one-time allocation relied on budget language; it required no changes in provisions of the state code.
- DHCD and VHDA administer the Fund collaboratively.
- The DHCD and VHDA plan outlining proposed uses of the Fund was submitted to the Chairmen of the House Appropriations and Senate Finance Committees by November 1, 2012 as required.
- The 2013 General Assembly passed HB 2005, Del. Lopez, which codified the budget language by amending the Virginia Housing Partnership Fund and renaming it the Virginia Housing Trust Fund. The legislation did not address a dedicated source of revenue.

# Key Provisions

- At least 80 percent of the Fund *must* be used as flexible financing for low-interest loans through eligible organizations.
- Up to 20 percent of the Fund *may* be used for grants for targeted efforts to reduce homelessness
- Loans structured to maximize leveraging opportunities and are repaid to the Fund

# 2013-14 Housing Trust Fund

## Virginia Housing Trust Fund Allocation

<b>Loans</b>	
Competitive Loan Pool	\$5,400,000
Foreclosure Rehabilitation Loans	\$1,000,000
<b>Grants</b>	
Competitive Grant Pool (Homeless Reduction)	\$930,000
Foreclosure/Homeowner Counseling	\$500,000
<b>Administration</b>	\$170,000
<b>Total</b>	<b>\$8,000,000</b>

- Nearly \$5 million requested for the \$1 million in Homeless Reduction Grant
  - 58 applicants
  - 10 awards offered
- Over \$15 million requested for the \$5.4 million in the Competitive Loan pool
  - 29 applications
  - Nine awarded

# Current Housing Trust Fund

- The biennium budget for fiscal years 2015-16 allocated \$4,000,000 in the first year and \$4,000,000 in the second year to fund activities through the Virginia Housing Trust Fund.

Proposed Virginia Housing Trust Fund Allocation	
<b>Loans</b>	
Competitive Loan Pool	\$5,523,892
Comprehensive Neighborhood Revitalization Pilot	\$1,500,000
<b>Grants</b>	
Homelessness Reduction Competitive Grant Pool	\$1,000,000
<b>Administration</b>	160,000
<b>Total</b>	\$8,183,892*

*\*includes \$183,892 in unutilized funds from 2013-14.*

# Current Housing Trust Fund

- *Proposed allocations:*
  - **Competitive Loan Pool** and **Homeless Reduction Grant Pool** to be similarly structured to previous framework.
  - Seek to align projects around Virginia Housing Policy
  - DOJ/Olmstead – special needs projects, particularly persons with ID/DD
  - Permanent Supportive Housing.
- **Comprehensive Neighborhood Revitalization Pilot**
  - Will combine multiple funding sources in order to fund comprehensive community projects, will combine funding sources and consolidate DHCD project management and program compliance requirements where possible.
  - Coordinate with other organizations for greater impact (VHDA, RD, VCC).
- Recommend no longer funding the **Foreclosure Counseling** or **Trust Stabilization** – markets have changed and these elements are not as critical.

# Summary of Previous Effort

- Previous allocations to the Partnership Fund and the Trust Fund have been independent appropriation decisions, not dedicated revenue.
- Funding levels have been modest and while important to the projects supported, make it difficult for developers to anticipate as a reliable source of funding.